

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 ERDA-07 AID-05 CEA-01  
CIAE-00 CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02  
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04  
USIA-15 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10  
/126 W

-----311713Z 124893 /43

R 311440Z JAN 77

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 6266

INFO AMCONSUL ISTANBUL

USMISSION OECD PARIS

USINT BAGHDAD

AMCONSUL IZMIR

AMCONSUL ADANA

UNCLAS SECTION 1 OF 2 ANKARA 0728

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: IRAQI-TURKISH PIPELINE

REF: A) STATE 018955, B) ADANA 002, C) 75 ANKARA 5213

1. SUMMARY - TURKISH TERMINAL OF IRAQI-TURKISH PIPELINE WAS OFFICIALLY INAUGURATED BY PRIME MINISTER DEMIREL ON JANUARY 4, 1977. THE 981 KILOMETER PIPELINE WILL CARRY CRUDE PETROLEUM FROM KIRKUK TO MEDITERRANEAN OUTLET NEAR GOLOVASI ON BAY OF ISKENDERUN. INITIAL MAXIMUM THROUGHPUT CAPACITY OF SYSTEM IS 25 MILLION TONS PER YEAR (500,000 B/D) TO BE EXPANDED IN 1980 TO 30 MILLION (600,000 B/DD) AND TO 35 MILLION (700,000 B/D) IN 1983. UNDERTERMS OF AUGUST 27, 1973 AGREEMENT, TURKEY AGREED TO ANNUAL OFFTAKE OF 10 MILLION TONS FOR PERIOD 1977-79, 12 MILLION TONS FOR PERIOD 1980-82 AND 14 MILLION TONS AFTER 1983. PIPELINE BUILT ON TIME AND TO SPECIFICATION BY MANNESMAN AG COST APPROXIMATELY \$950 MILLION, \$550-600 MILLION PAID BY TURKEY. END SUMMARY.

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2. PIPELINE AGREEMENT SIGNED ON AUGUST 27, 1973 NOTED THAT CONSTRUCTION OF THIS PIPELINE "WOULD STRENGTHEN ECONOMIC COOPERATION BETWEEN TURKEY AND IRAQ" AND WOULD FACILITATE TRANSPORTATION OF IRAQI CRUDE VIA PIPELINE TO MEDITERRANEAN COAST WHERE IT WOULD BE DISTRIBUTED TO TURKEY AND TO WORLD MARKETS. PIPELINE AGREEMENT IS VALID FOR 20 YEARS AND MAKES EACH COUNTRY RESPONSIBLE FOR FINANCING,

CONSTRUCTION AND MANAGEMENT OF THAT PART OF THE PIPELINE SYSTEM LOCATED WITHIN ITS BORDERS.

3. IN AGREEMENT, IRAQ UNDERTOOK TO DELIVER MINIMUM OF 15 MILLION TONS OF CRUDE PER YEAR (INCLUDING TURKISH OFFTAKE). IRAQ AGREED TO SELL AND TURKEY TO PURCHASE, PER CALENDAR YEAR, MINIMUM OFFTAKE (SUBJECT TO AGREEMENT IN SPECIFIC CRUDE OIL SALES CONTRACTS) OF 10 MILLION TONS PER YEAR (1977-79), 12 MILLION TONS PER YEAR (1980-82) AND 14 MILLION TONS PER YEAR 1983 AND AFTER. PRICES FOR QUANTITIES SOLD UNDER MINIMUM OFFTAKE WILL BE SET ON BASIS OF THE FREE-MARKET PRICES PREVAILING DURING THE PERIOD CONCERNED FOR SIMILAR IRAQI AND OTHER COMPARABLE CRUDES IN EAST MEDITERRANEAN PORTS.

4. IRAQI SECTION OF PIPELINE (321 KMS.) AND 556 KMS. OF TURKISH SECTION HAVE DIAMETER OF 40 INCHES WITH LAST 84 KMS. LEADING TO TANK FARM HAVING DIAMETER OF 30 INCHES. MAXIMUM INITIAL CAPACITY OF 25 MILLION TONS PER YEAR WILL ACCORDING TO AGREEMENT BE RAISED TO 30 MILLION TONS PER YEAR IN 1980 AND TO 35 MILLION TONS PER YEAR BY 1983 THROUGH MODIFICATION OF THREE PUMPING STATIONS ON TURKISH PORTION OF LINE.

5. TERMS OF REMUNERATION ARE \$0.389 CENTS PER BARREL (CONVERSION AT 7.46 BARRELS KIRKUK CRUDE EQUALS 1 TON). BASED ON PLANNED THROUGHPUTS, THIS PRICE PER BARREL WOULD BRING TURKEY GROSS FOREIGN EXCHANGE REVENUES EQUIVALENT TO \$73 MILLION PER YEAR (1977-79), \$87 MILLION PER YEAR (1980-82) AND \$102 MILLION PER YEAR FOR 1983 AND THEREAFTER. IRAQI COMMITMENT TO MINIMUM THROUGHPUT OF 15 MILLION TONS UNCLASSIFIED

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PER YEAR, MEANS THAT EVEN SHOULD NO OIL FLOW, THE GROSS FOREIGN EXCHANGE REVENUE TO TURKEY WOULD BE \$44 MILLION PER YEAR.

6. TANK FARM AND MARINE TERMINAL HAVE BEEN CONSTRUCTED NEAR GOLOVASI ON BAY OF ISKENDERUN. TANK FARM WILL HAVE INITIAL CAPACITY OF 659,000 TONS. MARINE TERMINAL CONSISTS OF 1850-METER LONG JETTY WITH 26-METER DRAUGHT AT END. TWO BERTHS HAVE BEEN BUILT TO ACCOMMODATE TANKERS BETWEEN 15,000 DWT AND 300,000 DWT (2 MORE ARE TO BE ADDED IN 1983). IT IS ESTIMATED THAT LARGEST TANKERS WILL BE TURNED AROUND IN A PERIOD OF 20 HOURS.

7. TO IMPLEMENT AGREEMENT, TURKISH GOVERNMENT SET UP BOTAS, A VIRTUALLY WHOLLY OWNED SUBSIDIARY OF TURKISH PETROLEUM CORPORATION. BOTAS HAS BEEN RESPONSIBLE FOR ARRANGING FINANCE AND CONSTRUCTION CONTRACTS AND WILL HAVE PRIME RESPONSIBILITY FOR TURKISH PORTION OF PIPELINE, TANK FARM AND TERMINALS. PROJECT COST OF APPROXIMATELY \$550 MILLION WAS FINANCED BY MINISTRY OF FINANCE, BY \$159 MILLION EURODOLLAR LOAN (75 ANKARA 5213), BY 2

ADDITIONAL \$25 MILLION KUWAITI DIRHAM LOANS, AND BY IRIQI  
DEFERRED-PAYMENT ARRANGEMENT (APPROXIMATELY \$40 MILLION NEEDED  
TO PAY FOR OIL FOR INITIAL PIPELINE FILLING WILL BE REPAID TO IRAQ  
IN 4 EQUAL INSTALLMENTS BEGINING IN FEBRUARY 1978.) IN  
NOVEMBER, 1974, BOTAS AWARDED PRINCIPAL CONTRACT TO MANNESMANN  
A.G. AND WORK BEGAN ON SCHEDULE IN JANUARY 1975. WITH  
CONSIDERABLE PRIDE AND AMAZEMENT, TURKS SAW COMPLETION OF THEIR  
SEGMENT ON SCHEDULE AND INAUGURATION BY PRIME MINISTER IN JANUARY  
1977 AS PLANNED. FILLING PIPELINE WILL TAKE 60-90 DAYS AND  
BOTAS HAS ANNOUNCED THAT FIRST TANKER WILL BEGIN LOADING CURDE ON  
MARCH 20.

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8. WHETHER TURKEY WILL DRAW-DOWN 10 MILLION TONS DURING  
1977 AS PER AGREEMENT IS PRESENTLY UNCERTAIN AND UNDOUBTEDLY  
DEPENDENT AT LEAST PARTLY ON PRICE OFFERED BY IRAQ.  
DURING 1975 TURKEY PURCHASED FROM IRAQ 73 PERCENT (6.9 MILLION  
TONS) OF ITS TOTAL CURDE IMPORTS OF 9.5 MILLION TONS. COMPLETE  
FIGURES FOR 1976 CRUDE IMPORTS ARE NOT YET AVAILABLE  
(10 MONTH IMPORTS FROM ALL SOURCES WERE 9.7 MILLION TONS),  
BUT DURING FIRST SIX MONTHS OF 1976 TURKEY IMPORTED 3.2 MILLION  
TONS (OR 56 PERCENT OF TOTAL IMPORTS) FROM IRAQ. TURKISH MINISTRY  
OF ENERGY ESTIMATES THAT TURKEY WILL NEED TO IMPORT 14.5 MILLION  
TONS CRUDE PETROLEUM IN 1977, 16.3 MILLION TONS IN 1978, 18.7  
MILLION TONS IN 1979, 21.2 MILLION TONS IN 1980, AND 30.8 MILLION

TONS IN 1983. GIVEN GENERALLY GOOD TURKEY-IRAQ RELATIONS AND SOME  
PRICE CONSIDERATION BY IRAQIS, IT SEEMS REASONABLE TO ASSUME THAT  
TURKISH DRAW-DOWN OF 10 MILLION TONS PER YEAR CAN BE REALIZED.  
IN ANY CASE, WITH CONTINUED UNCERTAINTY REGARDING USE OF  
BANIAS AND TRIPOLI TERMINALS, AND GIVEN TRANSPORTATION SAVINGS  
EUROPEAN CONSUMERS OF MEDITERRANEAN AS OPPOSED TO PERSIAN GULF  
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CRUDE, TURKS DO NOT APPEAR TO BE WORRIED THAT PIPELINE WILL NOT BE  
USED TO FULL CAPACITY.  
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## Message Attributes

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